



Information Partners Can Use on: MEDICARE PRESCRIPTION DRUG COVERAGE AND OTHER FEDERAL MEANS-TESTED PROGRAMS

New Medicare Prescription Drug Coverage

As of August 18, 2005

Example: Jane has income near the poverty line. She qualifies for Medicaid, food stamps, and HUD housing assistance.

Jane has Medicare and gets \$798 a month in Social Security. Her income is too high for her to qualify for Medicaid in her state. She must spend \$150 a month on medical bills in order to “spend down” her income to the medically needy income limit and receive Medicaid coverage. Medically needy coverage is determined on a monthly basis.

Jane receives assistance with her home energy bills through the LIHEAP program. Her utility company receives the funds directly from the state energy assistance program. Home energy assistance is not affected by a change in her medical spending, so it does not change once she receives Medicare’s extra help.

She currently pays \$200 a month out-of-pocket for her prescription drugs, and \$50 every month for visits to her doctors for total medical expenses of \$250 per month. After she spends \$150 on medical bills, she qualifies for Medicaid, which pays the additional \$100 of her medical expenses. She also receives \$10 a month in food stamps and HUD housing assistance that reduces her rent to \$191 a month. She has \$467 a month to pay other expenses ($\$798 - \$150 - \$191 + \$10 = \$467$).

Since Jane receives Medicaid, she automatically qualifies for extra help paying Medicare prescription drug costs (and doesn’t need to apply for extra help) for the rest of the 2006 calendar year, even if she doesn’t qualify for Medicaid in some later months because she has lower medical expenses.

Once she starts receiving the extra help from Medicare, she pays no premium, has no deductible, and pays only small copayments for her prescription drugs. She will pay a total of \$9 in prescription drug co-pays. Added to her doctor visits, her total medical expenses are \$59. Her medical bills are no longer high enough to cause a need for Medicaid (she doesn’t exceed the \$150 limit under spenddown). She continues to receive \$10 a month in food stamps. However, because her drug bills declined, her HUD benefits are adjusted changing her rent to \$219 (\$28 more than before).

Although her assistance from various sources is adjusted, the extra help she receives from Medicare increases the income available to her. She now has \$530 available for other expenses, \$63 more a month than she had before receiving the extra help ($\$798 - \$59 - \$219 + \$10 = \$530$).

During a month in 2006 where Jane’s medical expenses for items other than prescription drugs are high, Medicaid will again be available to her once she has medical bills of at least \$150. For example, if, in addition to the \$9 in total prescription drug copays, she has another \$150 in medical expenses, such as doctor visits and dental care, she will meet her “spend down” amount and will qualify for Medicaid. She has not lost her ability to rely on the Medicaid program in months when she has higher medical bills.

	Without Extra Help Paying Medicare Prescription Drug Plan Costs	With Extra Help Paying Medicare Prescription Drug Plan Costs	Change
Income and Non-Medical Assistance			
Monthly Income	\$798	\$798	No change
Benefits			
Food stamps benefit*	\$10	\$10	No change
Jane's Total Monthly Income/Assistance	\$808	\$808	No change
Expenditures & Assistance with Expenditures			
Medical Expenditures			
Jane's Drug Spending	\$200	\$9	
Other Medical Bills	+\$50	+\$50	
Total Medical Expenditures	\$250	\$59	
Medicaid Assistance	-\$100	\$0	
Out-of-Pocket Spending for Medical Care	\$150	\$59	-\$91
Meets \$150 spenddown requirement to reach medically needy limit and qualifies for Medicaid?	Yes	No	
Housing Spending			
Rent under HUD-housing assistance**	\$191	\$219	+\$28
Jane's Expenses	\$341	\$278	-\$63
Jane's cash available for other expenses	\$467	\$530	\$63 more in cash

* \$10 is the minimum monthly food stamps benefit for eligible people living alone.

** Rent payment reflects rent as 30% of adjusted income.

There are programs for people with limited income and resources who live in Puerto Rico, the Virgin Islands, Guam, the Northern Mariana Islands, and American Samoa. Programs vary in these areas. To find out more about their rules, call your State Medical Assistance Office, visit www.medicare.gov on the web or call 1-800-MEDICARE (1-800-633-4227). TTY users should call 1-877-486-2048.